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ABSTRACT

A congressional report is presented on a bill to amend the Public Health Service Act to establish a National Health Service Corps Loan Repayment Program and to revise and extend the program for the National Health Service Corps (NHSC). The National Health Service Corps Amendments Act of 1987 extends authorizations for 3 fiscal years (FY 1988-1990). In addition, it creates a loan repayment program that will repay the educational loans of health professionals in return for their service in health manpower shortage areas. The bill also clarifies the authority of the NHSC to: terminate the designation of a geographic area as a health manpower shortage area, delay the beginning of the period of obligated service for a NHSC scholarship or loan repayment recipient for the purpose of additional training; designate the areas in which NHSC obligees may be assigned under the private practice option, and award loans to NHSC members to enter into the private practice of their profession. In addition, the bill requires the Secretary of Health and Human Services to prepare an annual report to the Congress on the number of individuals needed in the NHSC during the 3 fiscal years following the fiscal year in which the report is submitted. (SW)

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100TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
100-252

NATIONAL HEALTH SERVICE CORPS AMENDMENTS ACT OF 1987

JULY 29, 1987.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. DINGELL, from the Committee on Energy and Commerce, submitted the following

REPORT

together with

MINORITY VIEWS

[To accompany H.R. 1327]

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The Committee on Energy and Commerce, to whom was referred the bill (H.R. 1327) to amend the Public Health Service Act to establish a National Health Service Corps Loan Repayment Program and to otherwise revise and extend the program for the National Health Service Corps, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "National Health Service Corps Amendments Act of 1987".

TITLE I—NATIONAL HEALTH SERVICE CORPS SCHOLARSHIP PROGRAM AND LOAN REPAYMENT PROGRAM

SEC. 101. ESTABLISHMENT OF LOAN REPAYMENT PROGRAM.

Subpart II of part D of title III of the Public Health Service Act (42 U.S.C. 254d et seq.) is amended by redesignating sections 338B through 338G as sections 338C through 338H, respectively, and by inserting after section 338A the following new section:

"NATIONAL HEALTH SERVICE CORPS LOAN REPAYMENT PROGRAM

"SEC. 338B. (a) The Secretary shall establish a program to be known as the National Health Service Corps Loan Repayment Program (hereafter in this subpart referred to as the 'Loan Repayment Program') in order to assure an adequate supply of trained physicians, dentists, and nurses for the Corps and, if needed by the Corps, to assure an adequate supply of podiatrists, optometrists, pharmacists, clinical psychologists, graduates of schools of veterinary medicine, graduates of schools of public health, graduates of programs in health administration, graduates of programs for the training of physicians assistants, expanded function dental auxiliaries, and nurse practitioners (as defined in section 822), and other health professionals.

"(b) To be eligible to participate in the Loan Repayment Program, an individual must—

"(1)(A) be enrolled (i) as a full-time student (I) in an accredited (as determined by the Secretary) educational institution in a State, and (II) in the final year of a course of study or program, offered by such institution and approved by the Secretary, leading to a degree in medicine, osteopathy, dentistry, or other health profession, or (ii) in a graduate training program in medicine, osteopathy, dentistry, or other health profession, or (B) have a degree in medicine, osteopathy, dentistry, or other health profession and have completed a graduate training program in medicine, osteopathy, dentistry, or other health profession;

"(2) be eligible for, or hold, an appointment as a commissioned officer in the Regular or Reserve Corps of the Service or be eligible for selection for civilian service in the Corps;

"(3) submit an application to participate in the Loan Repayment Program; and

"(4) sign and submit to the Secretary, at the time of the submission of such application, a written contract (described in subsection (f)) to accept repayment of educational loans and to serve (in accordance with this subpart) for the applicable period of obligated service in a health manpower shortage area.

"(c) In disseminating application forms and contract forms to individuals desiring to participate in the Loan Repayment Program, the Secretary shall include with such forms—

"(1) a fair summary of the rights and liabilities of an individual whose application is approved (and whose contract is accepted) by the Secretary, including in the summary a clear explanation of the damages to which the United States is entitled under section 338E in the case of the individual's breach of the contract; and

"(2) information respecting meeting a service obligation through private practice under an agreement under section 338D and such other information as may be necessary for the individual to understand the individual's prospective participation in the Loan Repayment Program and service in the Corps.

The application form, contract form, and all other information furnished by the Secretary under this subpart shall be written in a manner calculated to be understood by the average individual applying to participate in the Loan Repayment Program. The Secretary shall make such application forms, contract forms, and other information available to individuals desiring to participate in the Loan Repayment Program on a date sufficiently early to ensure that such individuals have adequate time to carefully review and evaluate such forms and information.

"(d) In determining which applications under the Loan Repayment Program to approve (and which contracts to accept), the Secretary shall give priority to applications made by individuals whose training is in a health profession or speciality determined by the Secretary to be needed by the Corps.

"(e)(1) An individual becomes a participant in the Loan Repayment Program only upon the Secretary's approval of the individual's application submitted under subsection (b)(3) and the Secretary's acceptance of the contract submitted by the individual under subsection (b)(4).

"(2) The Secretary shall provide written notice to an individual promptly upon the Secretary's approving, under paragraph (1), of the individual's participation in the Loan Repayment Program.

"(f) The written contract (referred to in this subpart) between the Secretary and an individual shall contain—

"(1) an agreement that—

"(A) subject to paragraph (2), the Secretary agrees (i) to pay on behalf of the individual loans in accordance with subsection (g), and (ii) to accept (subject to the availability of appropriated funds for carrying out sections 331 through 335 and section 337) the individual into the Corps (or for equivalent service as otherwise provided in this subpart); and

"(B) subject to paragraph (2), the individual agrees—

"(i) to accept loan payments on behalf of the individual;

"(ii) to maintain enrollment in a course of study or training described in subsection (b)(1) until the individual completes the course of study or training;

"(iii) while enrolled in such course of study or training, to maintain an acceptable level of academic standing (as determined under regulations of the Secretary by the educational institution offering such course of study or training); and

"(iv) to serve for a time period (hereafter in the subpart referred to as the 'period of obligated service') equal to 2 years or such longer period as the individual may agree to in a health manpower shortage area (designated under section 3332) to which he is assigned by the Secretary as a member of the Corps;

"(2) a provision that any financial obligation of the United States arising out of a contract entered into under this subpart and any obligation of the individual which is conditioned thereon, is contingent upon funds being appropriated for loan repayments under this subpart and to carry out the purposes of sections 331 through 335 and sections 337 and 338;

"(3) a statement of the damages to which the United States is entitled, under section 338E for the individual's breach of the contract; and

"(4) such other statements of the rights and liabilities of the Secretary and of the individual, not inconsistent with the provisions of this subpart.

"(g)(1) A loan repayment provided for an individual under a written contract under the Loan Repayment Program shall consist of payment, in accordance with paragraph (2), on behalf of the individual of the principal, interest, and related expenses on government and commercial loans received by the individual for—

"(A) tuition expenses;

"(B) all other reasonable educational expenses, including fees, books, and laboratory expenses, incurred by the individual; or

"(C) reasonable living expenses as determined by the Secretary.

"(2)(A) Except as provided in subparagraph (B), for each year of obligated service that an individual contracts under subsection (f) to serve, the Secretary may pay up to $20,000 on behalf of the individual for loans described in paragraph (1).

"(B) For each year of obligated service that an individual contracts under subsection (f) to serve in the Indian Health Service, or to serve in a health program or facility operated by a tribe or tribal organization under the Indian Self-Determination Act, the Secretary may pay up to $25,000 on behalf of the individual for loans described in paragraph (1).

"(h) Notwithstanding any other provision of law, individuals who have entered into written contracts with the Secretary under this section, while undergoing aca-

demic training, shall not be counted against any employment ceiling affecting the Department.

"(i) The Secretary shall, not later than March 1 of each year, submit to the Congress a report providing—

"(1) the number, and type of health profession training, of individuals receiving loan payments under the Loan Repayment Program;

"(2) the health profession for which each such individual is receiving training;

"(3) the educational institution at which each such individual is receiving training;

"(4) the number of applications filed under this section in the school year beginning in such year and in prior school years; and

"(5) the amount of loan payments made in the year for which the report is submitted.".

SEC. 102. AUTHORIZATION OF APPROPRIATIONS WITH RESPECT TO SCHOLARSHIP PROGRAM AND LOAN REPAYMENT PROGRAM.

Section 338G of the Public Health Service Act (as redesignated in section 101 of this Act) is amended to read as follows:

"REPORT AND AUTHORIZATION

"SEC. 338G. (a) The Secretary shall report January 20 of each year to the Committee on Energy and Commerce of the House of Representatives, the Committee on Labor and Human Resources of the Senate, and the Committees on Appropriations of the House of Representatives and the Senate the number of providers of health care who will be needed for the Corps during the 3 fiscal years beginning after the date the report is filed and the number—

"(1) of scholarships the Secretary proposes to provide under the Scholarship Program during such 3 fiscal years,

"(2) of individuals for whom the Secretary proposes to make loan repayments under the Loan Repayment Program during such 3 fiscal years, and

"(3) the number of individuals who have no obligation under section 338C and who the Secretary proposes to have as members of the Corps during such 3 fiscal years,

to provide such number of health care providers.

"(b) There are authorized to be appropriated such sums as may be necessary for scholarships and loan repayments under this subpart.".

SEC. 103. REQUIREMENT OF CONSIDERATION OF NEEDS OF INDIAN HEALTH SERVICE AND CERTAIN INDIAN TRIBES.

Section 331 of the Public Health Service Act (42 U.S.C. 254d) is amended by redesignating subsection (h) as subsection (i) and inserting after subsection (g) the following new subsection:

"(h) In assigning members of the Corps to health manpower shortages areas, the Secrtary shall, to the extent practicable, give priority to meeting the needs of the Indian Health Service and the needs of health programs or facilities operated by tribes or tribal organizations under the Indian Self-Determination Act.".

SEC. 104. CERTAIN TECHNICAL AND CONFORMING AMENDMENTS RELATING TO LOAN REPAYMENT PROGRAM.

(a) SECTION 303.—Section 303(d)(4) of the Public Health Service Act (42 U.S.C. 242a(d)(4)) is amended—

(1) by striking "752 or 753" each place it appears and inserting "338C or 338D"; and

(2) by striking "subpart IV of part C of title VII" and inserting "subpart II of part D".

(b) SECTION 331.—Section 331 of the Public Health Service Act (42 U.S.C. 254d) is amended—

(1) in subsection (b), by striking "and Scholarship Program" and inserting ", Scholarship Program, and Loan Repayment Program";

(2) in subsection (c), by striking "338C" and inserting "338D";

(3) in subsection (d)(2), by inserting after "Program" the following: "or Loan Repayment Program";

(4) in subsection (f), by striking "Scholarship Program" and inserting "Scholarship Program or the Loan Repayment Program"; and

(5) in subsection (i) (as redesignated in section 103 of this Act), by redesignating paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and by inserting after paragraph (1) the following new paragraph:

"(2) The term 'Loan Repayment Program' means the National Health Service Corps Loan Repayment Progam established under section 338B.".

(c) SECTION 334.—Section 334(a)(3)(B) (42 U.S.C. 254g(a)(3)(B)) is amended—

(1) by inserting "or the Loan Repayment Program" after "Scholarship Program"; and

(2) by striking "service under the Program;" and inserting "service under the Scholarship Program or the Loan Repayment Program;".

(d) SECTION 336.—Section 336(a) (42 U.S.C. 254h-1) is amended by striking "scholarship program" and inserting "Scholarship Program or Loan Repayment Program".

(e) SECTION 338E.—Section 338E of the Public Health Service Act (as redesignated in section 101 of this Act) is amended—

(1) in subsection (a), by inserting "(1)" after "(a)", by redesignating paragraphs (1) through (4) as subparagraphs (A) through (D), respectively, and by adding after subsection (a) the following:

"(2) An individual who has entered into a written contract with the Secretary under section 338B and who—

"(A) in the case of an individual who is enrolled in the final year of a course of study, fails to maintain an acceptable level of academic standing in the educational institution in which he is enrolled (such level determined by the educational institution under regulations of the Secretary) or voluntarily terminates such enrollment or is dismissed from such educational institution before completion of such course of study, or

"(B) in the case of an individual who is enrolled in a graduate training program, fails to complete such training program,

in lieu of any service obligation arising under such contract shall be liable to the United States for the amount which has been paid on his behalf under the contract.";

(2) in subsection (b)(1), by striking "338E(d))" and inserting "338F(d))", by inserting "under section 338A" after "service obligation" the first place it appears, by striking "338B" each place it appears and inserting "338C", and by striking "338C" each place it appears and inserting "338D";

(3) by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following:

"(c)(1) If (for any reason not specified in subsection (a) or section 338F(d)) an individual breaches his written contract under section 338B by failing either to begin such individual's service obligation in accordance with section 338C or 338D or to complete such service obligation, the United States shall be entitled to recover from the individual an amount determined in accordance with subsection (b)(1) except that the formula for determining such amount shall be—

$$A = 2\phi(t - s/t)$$

"(2) Damages which the United States is entitled to recover under paragraph (1) shall be paid in accordance with subsection (b)(1).";

(4) in subsection (d) (as redesignated in paragraph (3)), by inserting "or the Loan Repayment Program" after "thereunder)" each place it appears; and

(5) in the section heading, by adding "OR LOAN REPAYMENT CONTRACT" after "CONTRACT".

SEC. 105. EFFECTIVE DATE.

The amendments made by this title shall take effect October 1, 1987.

TITLE II—REVISIONS AND EXTENSIONS OF GENERAL PROGRAM FOR THE NATIONAL HEALTH SERVICE CORPS

SEC. 201. DESIGNATION OF HEALTH MANPOWER SHORTAGE AREAS.

Section 332 (42 U.S.C. 254e) is amended—

(1) in subsection (a)(1), by adding at the end thereof the following: "The Secretary shall not remove an area from the areas determined to be health manpower shortage areas under clause (A) of the preceding sentence until the Secretary has afforded interested persons and groups in such area an opportunity to provide data and information in support of the designation as a health manpower shortage area of a population group described in clause (B) of such sentence or a

facility described in clause (C) of such sentence, and has made a determination on the basis of the data and information submitted by such persons and groups and other data and information available to the Secretary."; and

(2) in subsection (b)(2)—

(A) by striking "and" after "services,";

(B) by striking the period and inserting ", and"; and

(C) by adding at the end the following new subparagraph:

"(D) ability to pay for health services.".

SEC. 202. OBLIGATED SERVICE.

Section 338C of the Public Health Service Act (as redesignated in section 101 of this Act) is amended—

(1) in subsection (a), by striking "338C" and inserting "338D" and by inserting "or 338B" after "338A";

(2) in subsection (b)(1), by inserting "or 338B(f)(1)(B)(iv)" after "(iv)";

(3) in subsection (b)(5), by amending such subsection to read as follows:

"(5)(A) In the case of the Scholarship Program, with respect to an individual receiving a degree from a school of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, or pharmacy, the date referred to in paragraphs (1) through (4) shall be the date upon which the individual completes the training required for such degree, except that—

"(i) at the request of such an individual with whom the Secretary has entered into a contract under section 338A prior to October 1, 1985, the Secretary shall defer such date until the end of the period of time (not to exceed the number of years specified in subparagraph (B) or such greater period as the Secretary, consistent with the needs of the Corps, may authorize) required for the individual to complete an internship, residency, or other advanced clinical training; and

"(ii) at the request of such an individual with whom the Secretary has entered into a contract under section 338A on or after October 1, 1985, the Secretary may defer such date in accordance with the provisions of clause (i).

"(B)(i) In the case of the Scholarship Program, with respect to an individual receiving a degree from a school of medicine, osteopathy, or dentistry, the number of years referred to in subparagraph (A)(i) shall be three years.

"(ii) In the case of the Scholarship Program, with respect to an individual receiving a degree from a school of veterinary medicine, optometry, podiatry, or pharmacy, the number of years referred to in subparagraph (A)(i) shall be one year.

"(C) No period of internship, residency, or other advanced clinical training shall be counted toward satisfying a period of obligated service under this subpart.

"(D) In the case of the Scholarship Program, with respect to an individual receiving a degree from an institution other than a school referred to in subparagraph (A), the date referred to in paragraphs (1) through (4) shall be the date upon which the individual completes his acadmeic training leading to such degree.

"(E) In the case of the Loan Repayment Program, if an individual is required to provide obligated service under such Program, the date referred to in paragraphs (1) through (4)—

"(i) shall be the date determined under subparagraph (A) or (B) in the case of an individual who is enrolled in the final year of a course of study,

"(ii) shall in the case of an individual who is enrolled in a graduate training program in medicine, osteopathy, dentistry, or other health profession be the date the individual completes such training program, and

"(iii) shall in the case of an individual who has a degree in medicine, osteopathy, dentistry, or other health profession and who has completed graduate training be the date the individual enters into an agreement with the Secretary under section 338B.";

(4) in subsection (c)(2), by striking "338C" and inserting "338D"; and

(5) in subsection (e), by inserting ", under the Loan Repayment Program," after "Program".

SEC. 203. PRIVATE PRACTICE.

Section 338D of the Public Health Service Act (as redesignated in section 101 of this Act) is amended—

(1) in subsection (a), by striking "338B(a)" and inserting "338C(a)";

(2) in subsection (a)(1), by inserting after "individual" the first place it appears the following: "who received a scholarship under the Scholarship Program and" and by inserting before the semicolon in such subsection the following: "or in the case of an individual for whom a loan payment was made under the Loan Repayment Program and who is performing obligated service as a member of the Corps in a health manpower shortage area on the date of his

application for such a release, in the health manpower shortage area selected by the Secretary";

(3) in subsection (a)(2), by inserting before the period "selected by the Secretary";

(4) in subsection (b), by inserting at the end the following: "The Secretary shall take such action as may be appropriate to assure that the conditions of the written agreement prescribed by this subsection are adhered to.";

(5) in subsection (c), by inserting "or 338B" after "338A"; and

(6) in subsection (e), by striking paragraph (1) and by striking "(2)" before "Upon".

SEC. 204. SPECIAL LOANS FOR CORPS MEMBERS TO ENTER PRIVATE PRACTICE.

Section 338F of the Public Health Service Act (as redesignated in section 101 of this Act) is amended—

(1) by amending subsections (a) and (b) to read as follows:

"(a) The Secretary may, out of appropriations authorized under section 338, make one loan to a Corps member who has agreed in writing—

"(1) to engage in the private full-time clinical practice of his profession in a health manpower shortage area (designated under section 332) for a period of not less than two years which—

"(A) in the case of a Corps member who is required to complete a period of obligated service under this subpart, begins not later than one year after the date on which such individual completes such period of obligated service; and

"(B) in the case of an individual who is not required to complete a period of obligated service under this subpart, begins at such time as the Secretary considers appropriate;

"(2) to conduct such practice in accordance with the provisions of section 338D(b)(1); and

"(3) to such additional conditions as the Secretary may require to carry out the purposes of this section.

Such a loan shall be used to assist such individual in meeting the costs of beginning the practice of such individual's profession in accordance with such agreement, including the costs of acquiring equipment and renovating facilities for use in providing health services, and of hiring nurses and other personnel to assist in providing health services. Such loan may not be used for the purchase or construction of any building.

"(b) The amount of a loan under subsection (a) to an individual shall not exceed $25,000 and the interest rate for any such loan shall not exceed an annual rate of 5 percent.";

(2) in subsection (c), by striking "grant or" in the first sentence; and

(3) in subsection (d)(1)—

(A) by striking "338D(b)" and inserting "338E(b) or 338E(c)"; and

(B) by striking "this section," and inserting "this section (as in effect prior to October 1, 1984),".

SEC. 205. AUTHORIZATIONS OF APPROPRIATIONS WITH RESPECT TO GENERAL OPERATIONS OF NATIONAL HEALTH SERVICE CORPS.

Section 338(a) (42 U.S.C. 254k(a)) is amended to read as follows:

"(a) To carry out this subpart, there are authorized to be appropriated $65,000,000 for each of the fiscal years 1988 through 1990.".

SEC. 206. EFFECTIVE DATE.

The amendments made by this title shall take effect October 1, 1987.

PURPOSE AND SUMMARY

The authorization of appropriations for the National Health Service Corps (NHSC) field and scholarship programs expired at the end of FY 1984. Appropriations for the programs for FY 1985–1987 have been made in the Continuing Resolution for each fiscal year.

H.R. 1327 extends the authorizations for both programs for three fiscal years (FY 1988–1990). In addition, the bill creates a loan repayment program that will repay the educational loans of health

professionals in return for their service in health manpower shortage areas.

H.R. 1327 also clarifies the authority of the NHSC (1) to terminate the designation of a geographic area as a health manpower shortage area, (2) to delay the beginning of the period of obligated service for a NHSC scholarship or loan repayment recipient for the purpose of additional training, (3) to designate the areas in which NHSC obligees may be assigned under the private practice option, and (4) to award loans to NHSC members to enter into the private practice of their profession. In addition, the bill requires the Secretary of Health and Human Services to prepare an annual report to the Congress on the number of individuals needed in the NHSC during the three fiscal years following the fiscal year in which the report is submitted.

Background and Need for the Legislation

BACKGROUND

The National Health Service Corps (NHSC) has two components. The NHSC Scholarship program provides scholarships (including tuition and stipend) to medical, nursing, dental and other health professional students. In return, these students are obligated to provide health care services in a "health manpower shortage area" (HMSA) upon graduation.

The second component is called the NHSC field program. A student who has incurred a service payback obligation becomes a member of the program upon graduation. The field program is responsible for assigning members of HMSAs, paying their salaries, ensuring that members meet all conditions of their service, and working with the private, non-profit entities to which members are assigned. If a member exercises the "private practice option," under which another entity pays the member's salary, or a member is in private practice, the field program ensures that the member meets all conditions of his or her service.

An NHSC site which is assigned a salaried NHSC member must repay the U.S. Treasury for the government's cost of educating and paying the salary of the member. An NHSC site which receives a member through the private practice option pays the member's salary but is not required to pay any monies to the U.S. Treasury.

NHSC providers are required to serve all residents in their communities. The federally paid salaries for NHSC providers are used to help cover the cost of patients who are poor or without insurance. The other sources of revenue include funds paid on a fee-for-service basis, generally on a sliding scale related to income. In fiscal year 1986, approximately one third of those using NHSC providers (at sites other than Community and Migrant Health Centers) were poor.

The National Health Service Corps is the only federal program which assures that health care providers are available to serve in health manpower shortage areas. In fiscal year 1987, the NHSC will have approximately 3,000 doctors, dentists and other health care professionals in underserved communities.

NEED FOR LEGISLATION

The Committee believes that the NHSC is at an important crossroads. It has been one of the most successful health service programs authorized by the Congress. It has made doctors, nurses, dentists and other essential health care providers available to people who otherwise would not have received health care services. In fiscal year 1987, there are 3,030 NHSC providers serving over 3.2 million people in Health Manpower Shortage Areas around the country. Nevertheless, because so few scholarships have been awarded in the last seven years, no scholarship obligees will be available to replace those currently serving. As a result, during the next three years, the NHSC field program will begin phasing out hundreds of communities that are now receiving service. Under current projections, the total number of providers in the NHSC field program in FY 1990 will decline by 317% to 956 providers. It will continue to decline until fiscal year 1993 when it will have only 230 providers to place in underserved communities.

Some critics of the NHSC say that it has served its purpose and can be phased out. They argue that the nation's medical schools are training an unprecedented number of new physicians and that the NHSC is an anachronism. The Committee believes that these critics are inaccurate about the current health service needs of the country. Even with the dramatic increase in physicians, there will always be areas which will not attract or retain a sufficient number of physicians. These underserved areas are characterized by a poor economy, no industry, poor housing, a significant medically indigent population and a high incidence of chronic illness.

The Committee is aware that some studies and other anecdotal evidence indicate that the geographic distribution of these new doctors is broader than ever, but notes that these studies have been criticized on a number of grounds. It must be emphasized, moreover, that the Committee is aware of no evidence that indicates that the very rural and inner city areas of our country, and the underserved population groups which reside in many rural and urban areas, will be adequately served by the projected increase in physicians. Any proposal to terminate the NHSC, either now or slowly over the next six years, would leave thousands of communities and population groups without essential health care providers.

COMMITTEE VIEWS

Reauthorization of Scholarship Program and Establishment of Loan Repayment Program

The Committee's bill seeks to address the most serious problem facing the NHSC—unless major changes are made, the NHSC will soon lose its ability to provide doctors and other health care professionals to the thousands of communities that need them.

Because very few new scholarships were awarded each year beginning in 1981, the available pool of new NHSC obligors is declining rapidly. In FY 1985, 1351 new obligors were assigned to HMSAs. In contrast, there are 950 new obligors available in FY 1987 and, by 1991, the number will decline to only 52 new obligors available for service.

There is a much larger number of obligors who will be completing their service obligation in each of the fiscal years 1987-1991. As a result, the total NHSC field strength will decline from 3030 in FY 1987 to 486 in FY 1991.

This precipitous decline in the number of available NHSC providers comes at a time when Department of HHS data indicate that health manpower shortage areas need additional providers. For example, according to the Department of HHS, approximately 4200 primary care physicians are needed to serve the estimated 13.4 million unserved residents in HMSAs. The NHSC, in FY 1987, is supplying approximately 2400 of those physicians. (Of the total NHSC field strength of 3030, approximately 2400 are primary care physicians.) It must be noted, however, that even if all 4200 physicians were available, the primary care physician to patient ratio would only be 1 to 3000 instead of the national average of 1 to 1085.

As the current number of NHSC providers declines over the next four years, the health care crisis for the unserved residents of health manpower shortage areas will worsen.

The Committee has no reason to believe that most of the communities currently needing physicians and most of the communities about to lose NHSC providers will be able to attract private physicians. Despite vigorous efforts by state and local officials and private citizens, including the offering of handsome guaranteed salaries in some cases, private physicians simply are not interested in settling in such underserved areas. If the NHSC does not rebuild the necessary pool of obligated health care providers, more than a thousand communities will soon face the untenable situation of having little or no health care services.

To accomplish this end, the Committee's bill reorients the NHSC so that it is better able to respond to the particular needs of underserved communities during the next three to six fiscal years. The bill creates a new option for obligating health care providers to serve in an HMSA. The NHSC Loan Repayment program would, at the time providers are available to serve in an HMSA, pay off the commercial and government loans that those providers took out during their school years. In the case of doctors, the program would be available for loan repayment during the last year of medical school or during or after medical residency. In return, these providers would sign a contract to serve in an HMSA.

By offering loan repayment during the last years of school and during training, the program will attract individuals who will be available to serve either immediately or within two to three years. In addition, only those providers with the professional training needed by the NHSC and only those individuals who know that their family and personal situations will permit obligated service in an HMSA will be offered the opportunity to participate in the program. By operating the loan repayment program in this manner, the NHSC can avoid the five to seven year delay that occurs in the scholarship program (scholarships are usually awarded to first year students and, in some cases, to third year medical students) and the accompanying problem of scholarship recipients who lose, during their school years, the interest or desire to serve in an HMSA.

While the loan repayment program is expected to have some advantages over the scholarship program, it is unclear whether the offer of loan repayment, even at the rate of $20,000 per year of obligated service, will attract a sufficient number of doctors and other health care professionals to meet the needs of the NHSC field program. The Committee believes that it is possible that relatively few providers will contract to serve in the severely underserved communities that the NHSC is seeking to help.

In light of this potential problem, the Committee believes it is essential for the NHSC to retain as many options as possible for attracting the necessary number of providers. Therefore, in addition to creating the loan repayment program, the Committee's bill reauthorizes the NHSC scholarship program and continues the authority of the NHSC field program to hire providers who have received neither a scholarship nor a loan repayment on a voluntary basis to serve as NHSC providers. The Committee expects that the scholarship program will be used to assure that a minimum number of new obligors will be available each year. The loan repayment program and volunteer hiring can then supplement the minimum level with the appropriate number of providers who are determined to be needed each year.

To assure that this more flexible approach succeeds, the Committee's bill requires the Secretary of Health and Human Services to advise the Congress each year of the total number of NHSC providers who are needed in health manpower shortage areas during the following three years. In addition, the Secretary would recommend the number of individuals who should be taken into the NHSC through scholarships, loan repayments and as volunteers to meet the described need.

The precise mix of these three different methods for obligating providers cannot be determined until the fiscal year in question. Therefore, the Committee's bill does not follow the current approach in NHSC legislation of specifying the number of scholarships that should be awarded each year. Instead, the bill authorizes appropriations for the scholarship and loan repayment programs of such sums as may be necessary.

Under this new approach to the NHSC, the Congress will be better able to evaluate and meet the short and long term needs of the NHSC. In addition, the Congress can support the NHSC and its underserved communities with the assurance that the future size of the NHSC obligor pool will not produce an uncontrolled demand for annual federal funding.

Indian Health Care

The Committee has long been concerned about the disparity in health status between Native Americans and the rest of the U.S. population. Despite improvements in the health status of Indians over the past 30 years, a 1986 Office of Technology Assessment (OTA) Report, "Indian Health Care," concluded that, "on almost every health indicator, Indian health remains poorer than that of the U.S. population in general." While the availability of medical care, in and of itself, will not completely bring about parity, it is clear to the Committee that the lack of medical care will prevent

any substantial improvement in Indian health status, and may lead to a further deterioration.

In "Clinical Staffing in the Indian Health Service" (February, 1987), the OTA characterized the NHSC as "the single most important source of physician recruits to the IHS in the 1980s." One example of the dependence on the NHSC of the tribes and tribal health organizations that now contract with the IHS under the Self-Determination Act (P.L. 93-638) to deliver health care services to their members through their own facilities and programs, is found in the testimony the Committee heard from one tribe in northern Minnesota that is far removed from other health care facilities. The tribe operates its own health clinic with 4 family practitioners and 1 pediatrician, all of them NHSC obligors. Loss of these NHSC personnel would result in the closure of the health facility. Due to limited recruitment resources and the difficulty of competing with rural group practices or HMOs in that State, the tribe will not be able to replace these physicians unless additional NHSC physicians are available.

In total, the IHS needs about 200 new physicians each year just to maintain current levels of service. From 1984 through 1986, the IHS filled from 130 to 150 of these physician vacancies each year with NHSC obligors; the rest of the vacancies were filled through voluntary recruitment. The decline in the available pool of new NHSC obligors poses a major problem for the IHS, with its heavy dependency on the NHSC. Given the remoteness and difficult working conditions on many reservations, and the limited recruitment incentives available to the IHS, it is, in the Committee's view, simply unrealistic to expect that the IHS can make up this loss of NHSC obligors through its current voluntary recruitment efforts. Therefore, the Committee's bill authorizes the Secretary to pay off an additional $5,000 in loans (up to $25,000 per year) for individuals contracting with the NHSC loan repayment program to serve in the Indian Health Service, or in a health program or facility operated by a tribe or tribal organization under the Indian Self-Determination Act. The Committee has established this higher repayment limit in order to improve the ability of the NHSC, the IHS, and tribal health contractors to recruit physicians, nurses, and other practitioners to serve Native Americans or Alaska Natives.

HMSA Designation

Under current law, an HMSA may be a geographic area, a population group or a facility that has a shortage of health manpower. The NHSC has determined that a shortage of primary care physicians, for instance, exists when the ratio of such physicians to the population in the area, in the group, or being served by the facility is 1 to 3,500. (If there are certain indicators of health problems in the area or population to be served, such as a high rate of infant mortality or low-income families, the ratio is 1 to 3,000). These ratios can be compared with the national average for primary care physicians of 1 to 1085 and the median of 1 to 2,350.

Most HMSAs are geographic areas. A population group or facility is designated when there is a group of people, or a facility which serves a group of people, who do not have access to physicians in

the necessary ratios even though the number of physicians residing in the geographic area is sufficient to prevent the area from being designated as an HMSA.

In recent years, the NHSC has removed the designation of hundreds of geographic areas because of increases in the number of physicians. Because the physician-to-population ratio is not an indicator of access to health services for all population groups in the area, the Committee believes that precautions should be taken when geographic areas are redesignated. The Committee's bill accomplishes this by prohibiting the Secretary of HHS from removing the designation of a geographic area as an HMSA until interested persons and groups in the area have had notice of the area redesignation and an opportunity to provide data in support of the designation of a population group or facility in the area. The persons and groups would initiate the request and supply data to support a population group or facility designation. The Secretary would assist in the HMSA application process, using additional information and data available to the Secretary, once intent has been established by the interested persons or groups. Interested persons and groups would include Community or Migrant Health Centers, National Health Service Corps sites, public hospitals, state and local health officials and other interested community organizations.

The Committee expects that the officials in the Department of HHS who are responsible for the Community and Migrant Health Center programs will be involved in determining whether a population group does not have adequate access to care and should be designated. These officials are in a better position to evaluate access to care because their programs serve medically underserved people. Furthermore, the NHSC should work closely with those state and local organizations that know the local circumstances. Such organizations would include state and local officials, health planning agencies, and state and local groups representing primary care providers (including Community and Migrant Health Centers).

In determining whether a facility serves a population without adequate access to care, the Committee expects that the NHSC will carefully evaluate the population served by any public hospital in the geographic area.

Obligated Service

The bill continues the provision in current law which directs the Secretary, for those persons receiving scholarships before October 1, 1985, to defer the beginning date of service upon request by the scholarship recipient for additional training. The bill authorizes the Secretary, for those recipients who receive scholarships after October 1, 1985, to defer the beginning date of service at the Secretary's discretion.

This new authority applies to first time scholarship contracts awarded on or after October 1, 1985. This change will provide the Secretary with the authority, if needed, to restrict deferments to specialists which are in greatest need in HMSAs. It is the Committee's understanding that these specialists include Family Medicine, Internal Medicine, Pediatrics, Obstetrics/Gynecology, and Psychiatry. Such a change will eliminate the difficulties being experienced

in placing individuals trained in other than the needed primary care specialties.

Private Practice: Assignment to HMSAs

The HMSAs to which NHSC personnel are assigned consist of geographic areas, population groups and facilities. Since there are more HMSAs than providers, the NHSC has developed an "HMSA Placement Opportunity List" consisting of those HMSAs with the greatest need. THe assignment of NHSC personnel is now limited by the Department of HHS to the HMSAs on this list.

While the Committee supports the use of the placement opportunity list, and believes it is permissible, the Committee has received many inquiries concerning the NHSC's legal authority to restrict NHSC Personnel to HMSAs on the list. These questions arise from the amendments to the NHSC program contained in the Omnibus Budget Reconciliation Act of 1981. One of those amendments struck from the law the requirement that assignments under the "private practice option" be limited to those HMSAs with a priority for assignment. The interpretation given by some to this change is that Congress wanted NHSC obligees to be able to go to any HMSA in the country.

It is the Committee's view that this interpretation is incorrect because it does not account for another amendment made at the same time. That amendment requires the NHSC to evaluate the "need" and "demand" for NHSC personnel in a designated HMSA before making an assignment to it. The amendment was made because the initial designation is often based on data available through national sources rather than on an evaluation of the local circumstance made by state or local organization. It instructed the NHSC to conduct a second review of a designated HMSA and determine whether a NHSC provider should be placed there instead of another HMSA.

The Committee recognizes that the interaction of the 1981 amendments is potentially misleading. To avoid further confusion, the Committee's bill clarifies the authority of the NHSC to maintain a placement opportunity list and to restrict NHSC obligees to serving in the listed HMSAs.

Private Practice Option (PPO)

Under the private practice option NHSC providers are assigned to organizations which assume the financial responsibility for paying their salary and fringe benefits. While the NHSC providers are employees of the organizations, they are considered members of the NHSC and fulfill their service obligation. In fiscal year 1987, approximately 2,600 NHSC providers will be serving under the PPO at Community and Migrant Health Centers, hospitals, health departments and various other organizations.

The Public Health Service Act requires NHSC providers under the PPO to serve all Medicare and Medicaid recipients, to accept reimbursement as determined by those programs, and to serve all other people in their service area without regard to their ability to pay. The NHSC program is obligated to monitor NHSC assignee activities to assure compliance with these statutory requirements.

The Committee is concerned that the NHSC monitoring activities have been inadequate and have not kept pace with the rapid growth in the PPO in the last four to five years. Organizations which accept PPO assignments are aware that their NHSC provider has these service obligations. The NHSC member signs a contract stating that he or she will comply. If the NHSC does not enforce these requirements, one of the main goals of the NHSC—access to health care for people who cannot afford it—will be lost.

The Committee expects that the NHSC program will assure that the service requirements are met by the NHSC member and the sponsoring organization. The Committee's bill would require such measures.

The NHSC has relied heavily on the PPO to reduce the cost of the NHSC field program. The Committee is concerned that the PPO directs the limited resources of the NHSC away from those HMSAs with the greatest shortage of providers. The worst HMSAs are typically characterized by few, if any, organizations which are financially able to pay the salary of a NHSC provider assigned under the PPO. In the three years of the Committee's bill, the Committee expects the NHSC to maximize its ability to target those HMSAs with the greatest shortage. The NHSC should use salaried positions up to the extent of appropriations; and for PPO sites, the NHSC should place greatest reliance on those private non-profit and public organizations, like Community and Migrant Health Centers, which serve medically underserved populations.

Special Loans For Corps Members To Enter Private Practice

The Committee's bill consolidates into a single loan program the current authorities which provide assistance to Corps members and former Corps members for meeting the costs of beginning private practices in health manpower shortage areas. The bill authorizes the Secretary to make one loan, not to exceed $25,000, to (1) persons who will fulfill their service obligation through the private practice option (PPO) in a health manpower shortage area (including those who wish to convert to PPO after having begun their service as a Federal employee); (2) persons who have completed their service obligation and who will enter into private practice in a health manpower shortage area not later than one year after the completion of obligated service; and (3) volunteers who never received a NHSC scholarship and who wish to enter into private practice in a health manpower shortage area. Loans could be used for the costs of beginning a practice, including the costs associated with acquiring equipment and renovating facilities for use in providing health services as well as the costs of hiring nurses and other personnel. Loans could not be used for the purchase or construction of any building.

Hearings

The Committee's Subcommittee on Health and the Environment held 1 day of oversight hearings on the reauthorization of the National Health Service Corps on February 27, 1987. Testimony was received from 7 witnesses, representing 7 organizations, with addi-

tional material submitted by 3 individuals and organizations. (Committee Print 100-3.)

COMMITTEE CONSIDERATION

On March 31, 1987, the Subcommittee on Health and the Environment met in open session and ordered reported the bill H.R. 1327 by voice vote, a quorum being present. On April 28, 1987, the Committee met in open session and ordered reported the bill H.R. 1327, with amendment by voice vote, a quorum being present.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 2(l)(3)(A) of Rule XI of the Rules of the House of Representatives, the Subcommittee held oversight hearings and made findings that are reflected in the legislative report.

COMMITTEE ON GOVERNMENT OPERATIONS

Pursuant to clause 2(l)(3)(D) of Rule XI of the Rules of the House of Representatives, no oversight findings have been submitted to the Committee by the Committee on Government Operations.

COMMITTEE COST ESTIMATE

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, the Committee believes that the cost incurred in carrying out H.R. 1327 would be $40 million in fiscal year 1988, $64 million in fiscal year 1989, and $74 million in fiscal 1990. The authorizations contained in the bill are as follows:

AUTHORITY

[In millions]

	NHSC field	NHSC scholarship and loan repayment
Fiscal year 1987 appropriations	$60	$2.3—150 new scholarships.
Fiscal year 1988 appropriations	65	Such sums as necessary.
Fiscal year 1989 appropriations	65	Do.
Fiscal year 1990 appropriations	65	Do.

CONGRESSIONAL BUDGET OFFICE ESTIMATE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 21, 1987.

Hon. JOHN D. DINGELL,
Chairman, Committee on Energy and Commerce,
U.S. House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for H.R. 1327, the National Health Service Corps Amendments Act of 1987, as ordered reported by the House Committee on Energy and Commerce on April 28, 1987.

If you wish further details on this estimate we will be pleased to provide them.

With best wishes,

Sincerely,

EDWARD M. GRAMLICH,
Acting Director.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 1327.

2. Bill title: National Health Service Corps Amendments Act of 1987.

3. Bill status: As ordered reported by the House Committee on Energy and Commerce on April 28, 1987.

4. Bill purpose: To establish a National Health Service Corps Loan Repayment Program and to revise and extend the National Health Service Corps program.

5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1988	1989	1990	1991	1992
NHSC loan repayament	4	8	11	11	11
NHSC Scholarship Program	2	2	2	3	3
National Health Service Corps	65	65	65	—	—
Total estimated authorization level	71	75	78	14	14
Estimated outlays	40	64	74	42	22

The costs of this bill would fall within budget function 550.

Basis of Estimate

All authorizations are assumed to be fully appropriated at the beginning of each fiscal year. Outlays are estimated using spendout rates calculated by CBO on the basis of recent program data.

This bill would create a new loan repayment program for physicians serving in the National Health Service Corps (NHSC). The federal government would make payments on outstanding educational debt up to $20,000 for each year of obligated service for individuals serving two years or more in the NHSC ($25,000 for each year served in the Indian Health Service). The historical average for length of service in the NHSC is about 2.7 years, making the government payment per participant about $54,000. If the program supports 200 new participants each year the cost to the federal government would be about $4 million in 1988 increasing to about $11 million in 1990 and beyond. Costs to the federal government for the loan repayment program would vary depending on the number of individuals actually participating and on their financial status.

The bill would authorize such sums as may be necessary for the NHSC scholarship program. This program pays tuition costs and a stipend for medical students in exchange for at least 2 years of service in the NHSC. The fiscal year 1987 appropriation provided an average annual award to scholarship recipients of $22,276. Only 4 NHSC continuation scholarships were awarded in 1987. In addition, 37 multi-year awards were made to students who previously received first year Exceptional Financial Need scholarships. If the same number of NHSC scholarships are awarded over the next five

years, the cost to the federal government would be between $2 million and $3 million in each fiscal year.

An authorization level of $65 million for the NHSC is stated in the bill for fiscal years 1988 through 1990.

6. Estimated cost to State and local government: None.

7. Estimate comparison: CBO prepared an estimate on June 17, 1987 for S. 1158, the Public Health Service Amendments of 1987, as ordered reported by the Senate Committee on Labor and Human Resources. This bill reauthorized several activities including the National Health Service Corps and also created a loan repayment program. The loan repayment program established in the Senate bill is similar to the one established in H.R. 1327, but would authorize one payment amount for all recipients and would allow additional payments to reimburse recipients for any increased tax liability that might occur as a result of the federal government providing loan payments. The loan program in S. 1158 would cost $1 million to $2 million more in each fiscal year than the program authorized in this bill.

8. Previous CBO estimate: None.

9. Estimate prepared by: Carmela Dyer.

10. Estimate approved by: C.G. Nuckols (for James L. Blum, Assistant Director for Budget Analysis).

Inflationary Impact Statement

Pursuant to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee makes the following statement with regard to the inflationary impact of the reported bill:

The Committee is unaware of any inflationary impact that H.R. 1327, if enacted, would have on the economy. The legislation proposes to extend the authorities of the National Health Service Corps for three years.

The funds authorized under the proposed legislation for fiscal year 1988 represent only an insignificant share of the Federal budget and would provide the necessary financial support to serve populations that would otherwise have difficulty in receiving health care services.

The Committee notes that the emphasis in the legislation on primary care and early intervention are designed to prevent illness and to contain health care costs. The cost-benefit ratios of such services are clearly anti-inflationary, especially when the alternatives of subsequent, more costly therapy and institutional care are considered.

Section-by-Section Analysis

Section 1 cites the title of the bill as the "National Health Service Corps Amendments Act of 1987."

TITLE I—NATIONAL HEALTH SERVICE CORPS SCHOLARSHIP PROGRAM AND LOAN REPAYMENT PROGRAM

Section 101 establishes a loan repayment program. To be eligible, individuals must be full-time students in their final year, or be in graduate training or have finished graduate training in medicine, osteopathy, dentistry, or another health profession. They must exe-

cute a contract to accept repayment of government and commercial educational loans and, in exchange, to serve for the applicable period of obligated service in a health manpower shortage area.

The Secretary is required to give priority to applications from those eligible individuals whose training is in a health profession or specialty that the Secretary determines is needed by the NHSC.

The period of obligated service is two years or such longer period as the individual agrees to. The Secretary's financial obligation to pay off loans is contingent upon the appropriation of funds for that purpose. The Secretary may pay up to $20,000 for loans for each year of obligated service at a NHSC site. If an individual agrees to serve in the Indian Health Service or in a health program or facility operated by a tribe or tribal organization under the Indian Self-Determination Act, the Secretary may pay up to $25,000 for loans for each year of obligated service.

The loan that the Secretary repays on behalf of the individual may consist of the principal, interest and related expenses on government and commercial loans for tuition, reasonable educational expenses and reasoı able living expenses.

The Secretary is required to submit an annual report describing how the loan program was used in the previous year.

Section 102 requires the Secretary to report annually to the relevant Committees of the Congress on the number of health care providers needed for the Corps for each of the subsequent three fiscal years, and their distribution among scholarship recipients, loan repayment obligees, and volunteers. The section also authorizes such sums as may be necessary to make scholarships and loan repayments.

Section 103 requires the Secretary in assigning members of the NHSC to give priority to the needs of the Indian Health Service and the health programs and facilities operated in tribes and tribal organizations under the Indian Self-Determination Act.

Section 104 contains certain technical and conforming amendments to Title III of the Public Health Service (PHS) Act. The penalty for failing to begin or complete obligated service under a loan repayment agreement is an amount equal to twice the sum of the amounts paid on behalf of such an individual.

Section 105 establishes October 1, 1987, as the effective date for Title I.

TITLE II—REVISIONS AND EXTENSIONS OF THE GENERAL PROGRAM FOR THE NATIONAL HEALTH SERVICE CORPS

Section 201 prohibits the Secretary from de-designating a health manpower shortage area until interested parties have had the opportunity to present data and information, and until the Secretary has made a determination on the basis of such data and information.

The section also modifies the definition of a health manpower shortage area by adding as a criterion for designation the "ability to pay for health services."

Section 202 of the bill authorizes the Secretary to defer the beginning date of an NHSC scholarship or loan repayment recipient's obligated service to allow the participant to undertake internship,

residency, or other advanced clinical training, consistent with the needs of the Corps. The deferment authority is mandatory with regard to scholarship recipients prior to October 1, 1985.

For student obligees receiving a degree from a school of medicine, osteopathy or dentistry, the period of time that the beginning of service may be deferred shall not exceed three years. For recipients with degrees from schools of veterinary medicine, optometry, podiatry, or pharmacy, the period of time that the beginning of service may be deferred shall not exceed one year.

Section 203 of the bill extends to loan repayment recipients the private practice option for fulfilling their service obligation. The bill limits the recipient to serving in those areas selected by the Secretary.

The section also requires the Secretary to take such action as may be appropriate to assure that NHSC members exercising the private practice option meet the conditions of their agreement with the NHSC.

Section 204 of the bill authorizes the Secretary to make one loan not to exceed $25,000 to a Corps member or former Corps member who agrees in writing to engage in the private, full-time clinical practice of his or her profession in a designated health manpower shortage area for not less than two years. The loan would be used to assist the individual in meeting the costs of beginning private practice, including the costs of acquiring equipment and renovating facilities, and of hiring nurses and other personnel. The loan may not be used for the purchase or construction of any building.

Section 205 extends the authorization for appropriations for the National Health Service Corps field program through fiscal year 1990 at $65 million for each of the fiscal years 1988, 1989 and 1990.

Section 206 of the bill makes October 1, 1987, the effective date of Title II.

Agency Views

Agency comments were submitted during the February 27, 1987 hearing of the Subcommittee on Health and the Environment.

MINORITY VIEWS ON H.R. 1327—NATIONAL HEALTH SERVICE CORPS AMENDMENTS OF 1987

We strongly oppose the action taken by the Committee on H.R. 1327. Our opposition is to the high authorizations for appropriations as well as the continuation of programs which have outlived their usefulness.

We continue to regard the National Health Service Corps as having been an extraordinarily effective program in addressing the problem of health manpower maldistribution. In fact, it is a program that has been so successful that its need has diminished as its goals have been met. We believe that all Federal programs should work as well as this one has. It has succeeded and now needs to be scaled down.

H.R. 1327 authorizes the scholarship program for such sums as may be necessary for the next three fiscal years. The Administration has consistently testified that the scholarship program is no longer necessary. At the moment, the scholarship program is owed more than $17 million from recipients who have not repaid their obligation to the Corps. While it is somewhat understandable that students might change their career goals eight years after having made a commitment to serve in the Corps, there is no reason to continue this program as a source of corpsmen and further increase this bad debt problem.

Under H.R. 1327, the Corps will be required to place individuals in Health Manpower Shortage Areas, many of which are located in urban areas. While it is true that there are pockets of urban areas where practitioners do not locate offices, the access problems of urban individuals are not as acute as those located in rural areas. We are distressed that this legislation does not recognize that the most significant manpower problems remain in the placement of providers in rural, remote areas.

We also are disappointed that H.R. 1327 does not require that States and localities match Federal funds for attracting corpsmen. It has been demonstrated that localities which contribute to the recruitment effort along with the Federal Government are more successful in attracting and in retaining physicians.

Continuing the National Health Service Corps Program in the direction prescribed in H.R. 1327 is unnecessarily costly and will not meet the manpower maldistribution needs of the 90s. The program should provide modest funds to assist States and localities to at-

tract health care providers who would not otherwise practice in underserved areas. H.R. 1327 unnecessarily goes far beyond that modest goal.

NORMAN F. LENT.
ED MADIGAN.
CARLOS J. MOORHEAD.
BILL DANNEMEYER.
DON RITTER.
DAN COATS.
TOM BLILEY.
MICHAEL G. OXLEY.
DAN SCHAEFER.
JOE BARTON.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

PUBLIC HEALTH SERVICE ACT

* * * * * * *

TITLE III—GENERAL POWERS AND DUTIES OF PUBLIC HEALTH SERVICE

PART A—RESEARCH AND INVESTIGATION

* * * * * * *

MENTAL HEALTH

SEC. 303. (a) * * *

* * * * * * *

(d)(1) * * *

* * * * * * *

(4)(A) In the case of any individual any part of whose obligation to perform service under this subsection exists at the same time as any part of the individual's obligation to perform service under section [752 or 753] *338C or 338D* (because of receipt of a scholarship under [subpart IV of part C of title VII] *subpart II of part D*) or the individual's obligation to perform service under section 472 (because of receipt of a National Research Service Award), or both, the same service may not be used to any extent to meet more than one of those obligations.

(B) In any case to which subparagraph (A) is applicable and in which one of the obligations is to perform service under section [752 or 753] *338C or 338D,* the obligation to perform service under that section must be met (by performance of the required service or payment of damages) before the obligation to perform service under this subsection or under section 472.

* * * * * * *

PART D—PRIMARY HEALTH CARE

* * * * * * *

Subpart II—National Health Service Corps Program

NATIONAL HEALTH SERVICE CORPS

SEC. 331. (a) * * *

(b) The Secretary may conduct at schools of medicine, osteopathy, dentistry, and, as appropriate, nursing and other schools of the health professions and at entities which train allied health personnel, recruiting programs for the Corps [and the Scholarship Program.], *the Scholarship Program, and the Loan Repayment Program.*

(c) The Secretary may reimburse applicants for positions in the Corps (including individuals considering entering into a written agreement pursuant to section [338C] *338D)* for actual and reasonable expenses incurred in traveling to and from their places of residence to a health manpower shortage area (designated under section 332) in which they may be assigned for the purpose of evaluating such area with regard to being assigned in such area. The Secretary shall not reimburse an applicant for more than one such trip.

(d)(1) * * *

(2) In the case of a member of the Corps who is directly engaged in the delivery of health services in a health manpower shortage area in accordance with a service obligation incurred under the Scholarship Program *or Loan Repayment Program,* the adjustment in pay authorized by paragraph (1) may be made for such a member only upon satisfactory completion of such service obligation, and the first 36 months of such member's being so engaged in the delivery of health services shall, for purposes of paragraph (1)(A), be deemed to begin upon such satisfactory completion.

* * * * * * *

(f) Sections 214 and 216 shall not apply to members of the National Health Service Corps during their period of obligated service under the Scholarship Program *or the Loan Repayment Program.*

* * * * * * *

(h) In assigning members of the Corps to health manpower shortage areas, the Secretary shall, to the extent practicable, give priority to meeting the needs of the Indian Health Service and the needs of health programs or facilities operated by tribes or tribal organizations under the Indian Self-Determination Act.

[(h)] *(i)* For the purposes of this subpart:

(1) The term "Department" means the Department of Health and Human Services.

(2) The term "Loan Repayment Program" means the National Health Service Corps Loan Repayment Program established under section 338B.

[(2)] *(3)* The term "Scholarship Program" means the National Health Service Corps Scholarship Program established under section 338A.

[(3)] *(4)* The term "State" includes, in addition to the several States, only the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Is-

lands, the Virgin Islands, Guam, American Samoa, and the Trust Territory of the Pacific Islands.

DESIGNATION OF HEALTH MANPOWER SHORTAGE AREAS

SEC. 332. (a)(1) For purposes of this subpart the term "health manpower shortage area" means (A) an area in an urban or rural area (which need not conform to the geographic boundaries of a political subdivision and which is a rational area for the delivery of health services) which the Secretary determines has a health manpower shortage, (B) a population group which the Secretary determines has such a shortage, or (C) a public or nonprofit private medical facility or other public facility which the Secretary determines has such a shortage. *The Secretary shall not remove an area from the areas determined to be health manpower shortage areas under clause (A) of the preceding sentence until the Secretary has afforded interested persons and groups in such area an opportunity to provide data and information in support of the designation as a health manpower shortage area of a population group described in clause (B) of such sentence or a facility described in clause (C) of such sentence, and has made a determination on the basis of the data and information submitted by such persons and groups and other data and information available to the Secretary.*

* * * * * * *

(b) The Secretary shall establish by regulation, promulgated not later than May 1, 1977, criteria for the designation of areas, population groups, medical facilities, and other public facilities, in the States, as health manpower shortage areas. In establishing such criteria, the Secretary shall take into consideration the following:

(1) The ratio of available health manpower to the number of individuals in an area or population group, or served by a medical facility or other public facility under consideration for designation.

(2) Indicators of a need, notwithstanding the supply of health manpower, for health services for the individuals in an area or population group or served by a medical facility or other public facility under consideration for designation, with special consideration to indicators of—

(A) infant mortality,

(B) access to health services, [and]

(C) health status[.], *and*

(D) ability to pay for health services.

* * * * * * *

COST SHARING

SEC. 334. (a) The Secretary shall require, as a condition to the approval of an application under section 333 for the assignment of a member of the Corps, that the entity which submitted the application enter into an agreement for a specific assignment period (not to exceed 4 years) with the Secretary under which—

(1) * * *

* * * * * * *

(3) the entity, if not a small health center, shall pay to the United States, as prescribed by the Secretary in each calendar quarter (or other period as may be specified in the agreement) during which any Corps member is assigned to such entity, the sum of—

(A) an amount calculated by the Secretary to reflect the average salary (including amounts paid in accordance with section 331(d)) and allowances of comparable Corps members for a calendar quarter (or other period);

(B) that portion of an amount calculated by the Secretary to reflect the average amount paid under the Scholarship Program *or the Loan Repayment Program* to or on behalf of comparable Corps members that bears the same ratio to the calculated amount as the number of days of service provided by the member during that quarter (or other period) bears to the number of days in his period of obligated [service under the Program;] *service under the Scholarship Program or the Loan Repayment Program;* and

* * * * * * *

PREPARATION FOR PRACTICE

SEC. 336. (a) The Secretary may make grants to and enter into contracts with public and private nonprofit entities for the conduct of programs which are designed to prepare individuals subject to a service obligation under the National Health Service Corps [scholarship program] *Scholarship Program or Loan Repayment Program* to effectively provide health services in the health manpower shortage area to which they are assisgned.

* * * * * * *

AUTHORIZATION OF APPROPRIATION

SEC. 338. [(a) To carry out the purposes of this subpart, there are authorized to be appropriated $47,000,000 for the fiscal year ending September 30, 1978; $64,000,000 for the fiscal year ending September 30, 1979; $82,000,000 for the fiscal year ending September 30, 1980; $110,000,000 for fiscal year ending September 30, 1982; $120,000,000 for the fiscal year ending September 30, 1983; and $130,000,000 for fiscal year ending September 30, 1984.]

(a) To carry out this subpart, there are authorized to be appropriated $65,000,000 for each of the fiscal years 1988 through 1990.

* * * * * * *

NATIONAL HEALTH SERVICE CORPS LOAN REPAYMENT PROGRAM

SEC. 338B. (a) The Secretary shall establish a program to be known as the National Health Service Corps Loan Repayment Program (hereafter in this subpart referred to as the "Loan Repayment Program") in order to assure an adequate supply of trained physicians, dentists, and nurses for the Corps and, if needed by the Corps, to assure an adequate supply of podiatrists, optometrists, pharmacists, clinical psychologists, graduates of schools of veterinary medicine, graduates of schools of public health, graduates of programs in

health administration, graduates of programs for the training of physicians assistants, expanded function dental auxiliaries, and nurse practitioners (as defined in section 822), and other health professionals.

(b) To be eligible to participate in the Loan Repayment Program, an individual must—

(1)(A) be enrolled (i) as a full-time student (I) in an accredited (as determined by the Secretary) educational institution in a State, and (II) in the final year of a course of study or program, offered by such institution and approved by the Secretary, leading to a degree in medicine, osteopathy, dentistry, or other health profession, or (ii) in a graduate training program in medicine, osteopathy, dentistry, or other health profession, or (B) have a degree in medicine, osteopathy, dentistry, or other health profession and have completed a graduate training program in medicine, osteopathy, dentistry, or other health profession;

(2) be eligible for, or hold, an appointment as a commissioned officer in the Regular or Reserve Corps of the Service or be eligible for selection for civilian service in the Corps;

(3) submit an application to participate in the Loan Repayment Program; and

(4) sign and submit to the Secretary, at the time of the submission of such application, a written contract (described in subsection (f)) to accept repayment of educational loans and to serve (in accordance with this subpart) for the applicable period of obligated service in a health manpower shortage area.

(c) In disseminating application forms and contract forms to individuals desiring to participate in the Loan Repayment Program, the Secretary shall include with such forms—

(1) a fair summary of the rights and liabilities of an individual whose application is approved (and whose contract is accepted) by the Secreteary, including in the summary a clear explanation of the damages to which the United States is entitled under section 338E in the case of the individual's breach of the contract; and

(2) information respecting meeting a service obligation through private practice under an agreement under section 338D and such other information as may be necessary for the individual to understand the individual's prospective participation in the Loan Repayment Program and service in the Corps.

The application form, contract form, and all other information furnished by theSecretary under this subpart shall be written in a manner calculated to be understood by the average individual applying to participate in the Loan Repayment Program. The Secretary shall make such application forms, contract forms, and other information available to individuals desiring to participate in the Loan Repayment Program on a date sufficiently early to ensure that such individuals have adequate time to carefully review and evaluate such forms and information.

(d) In determining which applications under the Loan Repayment Program to approve (and which contracts to accept), the Secretary shall give priority to applications made by individuals whose train-

ing is in a health profession or speciality determined by the Secretary to be needed by the Corps.

(e)(1) An individual becomes a participant in the Loan Repayment Program only upon the Secretary's approval of the individual's application submitted under subsection (b)(3) and the Secretary's acceptance of the contract submitted by the individual under subsection (b)(4).

(2) The Secretary shall provide written notice to an individual promptly upon the Secretary's approving, under paragraph (1), of the individual's participation in the Loan Repayment Program.

(f) The written contract (referred to in this subpart) between the Secretary and an individual shall contain—

(1) an agreement that—

(A) subject to paragraph (2), the Secretary agrees (i) to pay on behalf of the individual loans in accordance with subsection (g), and (ii) to accept (subject to the availability of appropriated funds for carrying out sections 331 through 335 and section 337) the individual into the Corps (or for equivalent service as otherwise provided in this subpart); and

(B) subject to paragraph (2), the individual agrees—

(i) to accept loan payments on behalf of the individual;

(ii) to maintain enrollment in a course of study or training described in subsection (b)(1) until the individual completes the course of study or training;

(iii) while enrolled in such course of study or training, to maintain an acceptable level of academic standing (as determined under regulations of the Secretary by the educational institution offering such course of study or training); and

(iv) to serve for a time period (hereafter in the subpart referred to as the "period of obligated service") equal to 2 years or such longer period as the individual may agree to in a health manpower shortage area (designated under section 3332) to which he is assigned by the Secretary as a member of the Corps;

(2) a provision that any financial obligation of the United States arising out of a contract entered into under this subpart and any obligation of the individual which is conditioned thereon, is contingent upon funds being appropriated for loan repayments under this subpart and to carry out the purposes of sections 331 through 335 and sections 337 and 338;

(3) a statement of the damages to which the United States is entitled, under section 338E for the individual's breach of the contract; and

(4) such other statements of the rights and liabilities of the Secretary and of the individual, not inconsistent with the provisions of this subpart.

(g)(1) A loan repayment provided for an individual under a written contract under the Loan Repayment Program shall consist of payment, in accordance with paragraph (2), on behalf of the individual of the principal, interest, and related expenses on government and commercial loans received by the individual for—

(A) tuition expenses;

(B) all other reasonable educational expenses, including fees, books, and laboratory expenses, incurred by the individual; or

(C) reasonable living expenses as determined by the Secretary.

(2)(A) Except as provided in subparagraph (B), for each year of obligated service that an individual contracts under subsection (f) to serve, the Secretary may pay up to $20,000 on behalf of the individual for loans described in paragraph (1).

(B) For each year of obligated service that an individual contracts under subsection (f) to serve in the Indian Health Service, or to serve in a health program or facility operated by a tribe or tribal organization under the Indian Self-Determination Act, the Secretary may pay up to $25,000 on behalf of the individual for loans described in paragraph (1).

(h) Notwithstanding any other provision of law, individuals who have entered into written contracts with the Secretary under this section, while undergoing academic training, shall not be counted against any employment ceiling affecting the Department.

(i) The Secretary shall, not later than March 1 of each year, submit to the Congress a report providing—

(1) the number of individuals receiving loan payments under the Loan Repayment Program;

(2) the health profession for which each such individual is receiving training;

(3) the educational institution at which each such individual is receiving training;

(4) the number of applications filed under this section in the school year beginning in such year and in prior school years; and

(5) the amount of loan payments made in the year for which the report is submitted.

OBLIGATED SERVICE

[SEC. 338B.] *SEC. 338C.* (a) Except as provided in section [338C] *338D*, each individual who has entered into a written contract with the Secretary under section 338A *or 338B* shall provide service in the full-time clinical practice of such individual's profession as a member of the Corps for the period obligated service provided in such contract.

(b)(1) If an individual is required under subsection (a) to provide service as specified in section 338A(f)(1)(B)(iv) *or 338B(f)(1)(B)(iv)* (hereinafter in this subsection referred to as "obligated service"), the Secretary shall, not later than ninety days before the date described in paragraph (5), determine if the individual shall provide such service—

* * * * * * *

[(5)(A) With respect to an individual receiving a degree from a school of medicine, osteopathy, or dentistry, the date referred to in paragraphs (1) through (4) shall be the date upon which the individual completes the training required for such degree, except that the Secretary shall, at the request of such individual, defer such date until the end of the period of time (not to exceed three years or such greater period as the Secretary, consistent with the needs

of the Corps, may authorize) required for the individual to complete an internship, residency, or other advanced clinical training. With respect to an individual receiving a degree from a school of veterinary medicine, optometry, podiatry, or pharmacy, the date referred to in paragraphs (1) through (4) shall be the date upon which the individual completes the training required for such degree, except that the Secretary shall, at the request of such individual, defer such date until the end of the period of time (not to exceed one year or such greater period as the Secretary, consistent with the needs of the Corps, may authorize) required for the individual to complete an internship, residency, or other advanced clinical training. No period of internship, residency, or other advanced clinical training shall be counted toward satisfying a period of obligated service under this subpart.

[(B) With respect to an individual receiving a degree from an institution other than a school referred to in subparagraph (A); the date referred to in paragraphs (1) through (4) shall be the date upon which the individual completes his academic training leading to such degree.]

(5)(A) In the case of the Scholarship Program, with respect to an individual receiving a degree from a school of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, or pharmacy, the date referred to in paragraphs (1) through (4) shall be the date upon which the individual completes the training required for such degree, except that—

(i) at the request of such an individual with whom the Secretary has entered into a contract under section 338A prior to October 1, 1985, the Secretary shall defer such date until the end of the period of time (not to exceed the number of years specified in subparagraph (B) or such greater period as the Secretary, consistent with the needs of the Corps, may authorize) required for the individual to complete an internship, residency, or other advanced clinical training; and

(ii) at the request of such an individual with whom the Secretary has entered into a contract under section 338A on or after October 1, 1985, the Secretary may defer such date in accordance with the provisions of clause (i).

(B)(i) In the case of the Scholarship Program, with respect to an individual receiving a degree from a school of medicine, osteopathy, or dentistry, the number of years referred to in subparagraph (A)(i) shall be three years.

(ii) In the case of the Scholarship Program, with respect to an individual receiving a degree from a school of veterinary medicine, optometry, podiatry, or pharmacy, the number of years referred to in subparagraph (A)(i) shall be one year.

(C) No period of internship, residency, or other advanced clinical training shall be counted toward satisfying a period of obligated service under this subpart.

(D) In the case of the Scholarship Program, with respect to an individual receiving a degree from an institution other than a school referred to in subparagraph (A), the date referred to in paragraphs (1) through (4) shall be the date upon which the individual completes his academic training leading to such degree.

(E) In the case of the Loan Repayment Program, if an individual is required to provide obligated service under such Program, the date referred to in paragraphs (1) through (4)—

(i) shall be the date determined under subparagraph (A) or (B) in the case of an individual who is enrolled in the final year of a course of study,

(ii) shall in the case of an individual who is enrolled in a graduate training program in medicine, osteopathy, dentistry, or other health profession be the date the individual completes such training program, and

(iii) shall in the case of an individual who has a degree in medicine, osteopathy, dentistry, or other health profession and who has completed graduate training be the date the individual enters into an agreement with the Secretary under section 338B.

(c) An individual shall be considered to have begun serving a period of obligated service—

(1) on the date such individual is appointed as an officer in a Regular or Reserve Corps of the Service or is designated as a member of the Corps under subsection (b)(3) or (b)(4), or

(2) in the case of an individual who has entered into an agreement with the Secretary under section [338C] *338D*, on the date specified in such agreement,

whichever is earlier.

* * * * * * *

(e) Notwithstanding any other provision of this title, service of an individual under a National Research Service Award awarded under subparagraph (A) or (B) of section 472(a)(1) shall be counted against the period of obligated service which the individual is required to perform under the Scholarship Program , *under the Loan Repayment Program*, or under section 225 as in effect on September 30, 1977.

PRIVATE PRACTICE

[SEC. 338C.] *SEC. 338D.* (a) The Secretary shall, to the extent permitted by, and consistent with, the requirements of applicable State law, release an individual from all or part of his service obligation under section [338B(a)] *338C(a)* or under section 225 (as in effect on September 30, 1977) if the individual applies for such a release under this section and enters into a written agreement with the Secretary under which the individual agrees to engage for a period equal to the remaining period of his service obligation in the full-time private clinical practice (including service as a salaried employee in an entity directly providing health services) of his health profession—

(1) in the case of an individual *who received a scholarship under the Scholarship Program and* who is performing obligated service as a member of the Corps in a health manpower shortage area on the date of his application for such a release, in the health manpower shortage area in which such individual is serving on such date *or in the case of an individual for whom a loan payment was made under the Loan Repayment Program and who is performing obligated service as a member*

of the Corps in a health manpower shortage area on the date of his application for such a release, in the health manpower shortage area selected by the Secretary; or

(2) in the case of any other individual, in a health manpower shortage area (designated under section 332) *selected by the Secretary.*

(b) The written agreement described in subsection (a) shall—

(1) provide that during the period of private practice by an individual pursuant to the agreement—

(A) any person who receives health services provided by the individual in connection with such practice will be charged for such services at the usual and customary rate prevailing in the area in which such services are provided, except that if such person is unable to pay such charge, such person shall be charged at a reduced rate or not charged any fee; and

(B) the individual in providing health services in connection with such practice (i) shall not discriminate against any person on the basis of such person's ability to pay for such services or because payment for the health services provided to such person will be made under the insurance program established under part A or B of title XVIII of the Social Security Act or under a State plan for medical assistance approved under title XIX of such Act, and (ii) shall agree to accept an assignment under section 1842(b)(3)(B)(ii) of such Act for all services for whcih payment may be made under part B of title XVIII of such Act and enter into an appropriate agreement with the State agency which administers the State plan for medical assistance under title XIX of such Act to provide services to individuals entitled to medical assistance under the plan; and

(2) contain such additional provisions as the Secretary may require to carry out the purposes of this section.

For purposes of paragraph (1)(A), the Secretary shall by regulation prescribe the method for determining a person's ability to pay a charge for health services and the method of determining the amount (if any) to be charged such person based on such ability. *The Secretary shall take such action as may be appropriate to assure that the conditions of the written agreement prescribed by this subsection are adhered to.*

(c) If an individual breaches the contract entered into under section 338A *or 338B* by failing (for any reason) to begin his service obligation in accordance with an agreement entered into under subsection (a) or to complete such service obligation, the Secretary may permit such individual to perform such service obligation as a member of the Corps.

* * * * * * *

(e)[(1) The Secretary may make such arrangements as he determines are necessary for the individual for the use of equipment and supplies and for the lease or acquisition of other equipment and supplies.

[(2)] Upon the expiration of the written agreement under subsection (a), the Secretary may (notwithstanding any other provision of law) sell to the individual who has entered into an agreement with the Secretary under subsection (a), equipment and other property of the United States utilized by such individual in providing health services. Sales made under this subsection shall be made at the fair market value (as determined by the Secretary) of the equipment or such other property, except that the Secretary may make such sales for a lesser value to the individual if he determines that the individual is financially unable to pay the full market value.

* * * * * * *

BREACH OF SCHOLARSHIP CONTRACT *OR LOAN REPAYMENT CONTRACT*

SEC. [338D.] *338E.* (a) *(1)* An individual who has entered into a written contract with the Secretary under section 338A and who—

[(1)] *(A)* fails to maintain an acceptable level of academic standing in the educational institution in which he is enrolled (such level determined by the educational institution under regulations of the Secretary),

[(2)] *(B)* is dismissed from such educational institution for discliplinary reasons,

[(3)] *(C)* voluntarily terminates the training in such an educational institution for which he is provided a scholarship under such contract, before the completion of such training, or

[(4)] *(D)* fails to accept payment, or instructs the educational institution in which he is enrolled not to accept payment, in whole or in part, of a scholarship under such contract,

in lieu of any service obligation arising under such contract, shall be liable to the United States for the amount which has been paid to him, or on this behalf, under the contract.

(2) An individual who has entered into a written contract with the Secretary under section 338B and who—

(A) in the case of an individual who is enrolled in the final year of a course of study, fails to maintain an acceptable level of academic standing in the educational institution in which he is enrolled (such level determined by the educational institution under regulations of the Secretary) or voluntarily terminates such enrollment or is dismissed from such educational institution before completion of such course of study, or

(B) in the case of an individual who is enrolled in a graduate training program, fails to complete such training program,

in lieu of any service obligation arising under such contract shall be liable to the United States for the amount which has been paid on his behalf under the contract.

(b)(1) Except as provided in paragraph (2), if (for any reason not specified in subsection (a) or section [338E(d))] *338F(d))* an individual breaches his written contract by failing either to begin such individual's service obligation *under section 338A* in accordance with section [338B or 338C] *338C or 338D* or to complete such service obligation, the United States shall be entitled to recover from the individual an amount determined in accordance with the formula

$$A = 3\phi(t - s/t)$$

in which "A" is the amount the United States is entitled to recover, "ϕ" is the sum of the amounts paid under this subpart to or on behalf of the individual and the interest on such amounts which would be payable if at the time the amounts were paid they were loans bearing interest at the maximum legal prevailing rate, as determined by the Treasurer of the United States; "t" is the total number of months in the individual's period of obligated service; and "s" is the number of months of such period served by him in accordance with section [338B] *338C* or a written agreement under section [338C] *338D*. Any amount of damages which the United States is entitled to recover under this subsection shall, within the one year period beginning on the date of the breach of the written contract, (or such longer period beginning on such date as specified by the Secretary for good cause shown) be paid to the United States.

* * * * * * *

(c)(1) If (for any reason not specified in subsection (a) or section 338F(d)) an individual breaches his written contract under section 338B by failing either to begin such individual's service obligation in accordance with section 338C or 338D or to complete such service obligation, the United States shall be entitled to recover from the individual an amount determined in accordance with subsection (b)(1) except that the formula for determining such amount shall be—

$$A = 2\phi(t - s/t)$$

(2) Damages which the United States is entitled to recover under paragraph (1) shall be paid in accordance with subsection (b)(1).

[(c)]*(d)*(1) Any obligation of an individual under the Scholarship Program (or a contract thereunder) *or the Loan Repayment Program* for service or payment of damages shall be canceled upon the death of the individual.

(2) The Secretary shall by regulation provide for the partial or total waiver or suspension of any obligation of service or payment by an individual under the Scholarship Program (or a contract thereunder) *or the Loan Repayment Program* whenever compliance by the individual is impossible or would involve extreme hardship to the individual and if enforcement of such obligation with respect to any individual would be unconscionable.

(3) Any obligation of an individual under the Scholarship Program (or a contract thereunder) *or the Loan Repayment Program* for payment of damages may be released by a discharge in bankruptcy under title 11 of the United States Code only if such discharge is granted after the expiration of the five-year period beginning on the first date that payment of such damages is required.

SPECIAL LOANS FOR FORMER CORPS MEMBERS TO ENTER PRIVATE PRACTICE

SEC. [338E.] *338F.* [(a) The Secretary may, out of appropriations authorized under section 338, make one grant or one loan to an individual—

[(1) who has completed at least two years of his period of obligated service in the Corps, and

[(2) who has agreed in writing—

[(A) to engage in the private full-time clinical practice of his profession in a health manpower shortage area (designated under section 332) for a period (beginning not later than one year after the date he completed his period of obligated service in the Corps) of not less than one year;

[(B) to conduct such practice in accordance with the provisions of section 338C(b)(1); and

[(C) to such additional conditions as the Secretary may require to carry out the purposes of this section;

to assist such individual in meeting the costs of beginning the practice of such individual's profession in accordance with such agreement, including the costs of acquiring equipment and renovating facilities for use in providing health services, and of hiring nurses and other personnel to assist in providing health services. Such grant may not be used for the purchase or construction of any building.

[(b) The amount of the grant or loan under subsection (a) to an individual shall be—

[(1) $12,500, if the individual agrees to practice his profession in accordance with the agreement for a period of at least one year, but less than two years; or

[(2) $25,000 if the individual agrees to practice his profession in accordance with the agreement for a period of at least two years.]

(a) The Secretary may, out of appropriations authorized under section 338, make one loan to a Corps member who has agreed in writing—

(1) to engage in the private full-time clinical practice of his profession in a health manpower shortage area (designated under section 332) for a period of not less than two years which—

(A) in the case of a Corps member who is required to complete a period of obligated service under this subpart, begins not later than one year after the date on which such individual completes such period of obligated service; and

(B) in the case of an individual who is not required to complete a period of obligated service under this subpart, begins at such time as the Secretary considers appropriate;

(2) to conduct such practice in accordance with the provisions of section 338D(b)(1); and

(3) to such individual conditions as the Secretary may require to carry out the purposes of this section.

Such a loan shall be used to assist such individual in meeting the costs of beginning the practice of such individual's profession in accordance with such agreement, including the costs of acquiring equipment and renovating facilities for use in providing health services, and of hiring nurses and other personnel to assist in providing health services. Such loan may not be used for the purchase or construction of any building.

(b) The amount of a loan under subsection (a) to an individual shall not exceed $25,000 and the interest rate for any such loan shall not exceed an annual rate of 5 percent.

(c) The Secretary may not make a [grant or] loan under this section unless an application therefor has been submitted to, and approved by, the Secretary. The Secretary shall, by regulation, set interest rates and repayment terms for loans under this section.

(d) If the Secretary determines that an individual has breached a written agreement entered into under subsection (a), he shall, as soon as practicable after making such determination notify the individual of such determination. If within 60 days after the date of giving such notice, such individual is not practicing his profession in accordance with the agreement under such subsection and has not provided assurances satisfactory to the Secretary that he will not knowingly violate such agreement again, the United States shall be entitled to recover from such individual—

(1) in the case of an individual who has received a grant under this section *(as in effect prior to October 1, 1984)*, an amount determined under section [338D(b)] *338E(b) or 338E(c)*, except that in applying the formula contained in such section "φ" shall be the sum of the amount of the grant made under subsection (a) to such individual and the interest on such amount which would be payable if at the time it was paid it was a loan bearing interest at the maximum legal prevailing rate, "t" shall be the number of months that such individual agreed to practice his profession under agreement, and "s" shall be the number of months that such individual practices his profession in accordance with such agreement; and

[AUTHORIZATION OF APPROPRIATIONS

[SEC. 338. (a) There are authorized to be appropriated for scholarships under this subpart $75,000,000 for the fiscal year ending September 30, 1978, $140,000,000 for the fiscal year ending September 30, 1979, and $200,000,000 for the fiscal year ending September 30, 1980. For the fiscal year ending September 30, 1982, and each of the two succeeding fiscal years, there are authorized to be appropriated such sums as may be necessary to make 550 new scholarship awards in accordance with section 338A(d) in each such fiscal year and to continue to make scholarship awards to students who have entered into written contracts under the Scholarship Program before October 1, 1984. For the fiscal year ending September 30, 1985, and for each of the two succeeding fiscal years, there are authorized to be appropriated such sums as may be necessary to continue to make scholarship awards to students who have entered into written contracts under the Scholarship Program before October 1, 1984.

[(b) Of the sums appropriated under this section (1) 90 percent shall be obligated for scholarships for medical, osteopathic, and dental students and (2) 10 percent of such 90 percent shall be obligated for scholarships for dental students.]

REPORT AND AUTHORIZATION

SEC. 338G. (a) The Secretary shall report January 20 of each year to the Committee on Energy and Commerce of the House of Representatives, the Committee on Labor and Human Resources of the Senate, and the Committees on Appropriations of the House of Representatives and the Senate the number of providers of health care who will be needed for the Corps during the 3 fiscal years beginning after the date the report is filed and the number—

(1) of scholarships the Secretary proposes to provide under the Scholarship Program during such 3 fiscal years,

(2) of individuals for whom the Secretary proposes to make loan repayments under the Loan Repayment Program during such 3 fiscal years, and

(3) of individuals who have no obligation under section 338C and who the Secretary proposes to have as members of the Corps during such 3 fiscal years,

to provide such number of health care providers.

(b) There are authorized to be appropriated such sums as may be necessary for scholarships and loan repayments under this subpart.

INDIAN HEALTH SCHOLARSHIP PROGRAM

SEC. [338G.] *338H.* (a) In addition to the sums authorized to be appropriated under section 756(a) to carry out the Schoalarship Program, there are authorized to be appropriated $5,450,000 for the fiscal year ending September 30, 1978, $6,300,000 for the fiscal year ending September 30, 1979, $7,200,000 for the fiscal year ending September 30, 1980, $9,000,000 for the fiscal year ending September 30, 1981, $10,300,000 for the fiscal year ending September 30, 1982, $11,800,000 for the fiscal year ending September 30, 1983, and $13,600,000 for the fiscal year ending September 30, 1984, to provide scholarships under the Scholarship Program to provide physicians, osteopaths, dentists, veterinarians, nurses, optometrists, podiatrists, pharmacists, clinical psychologists, public health personnel, and allied health professionals to provide services to Indians. Such scholarships shall be designated "Indian Health Scholarships" and shall be made in accordance with this subpart, except as provided in subsection (b).

(b)(1) The Secretary, acting through the Indian Health Service, shall determine the individuals who shall receive the Indian Health Scholarships, shall accord priority to applicants who are Indians, and shall determine the distribution of the scholarshps on the basis of the relative needs of Indians for additional services by specific health professions.

(2) The active duty service obligation prescribed in the written contract entered into under this subpart shall be met by the recipient of an Indian Health Scholarship by service in the Indian Health Service, in a program assisted under title V of the Indian Health Care Improvement Act, or in the private practice of the applicable profession if, as determined by the Secretary in accordance with guidelines promulgated by the Secretary, such practice is situated in a physician or other health professional shortage area and addresses the health care needs of a substantial number of Indians.

(c) For purposes of this section, the term "Indians" has the same meaning given that term by subsection (c) of section 4 of the Indian Health Care Improvement Act and includes individuals described in clauses (1) through (4) of that subsection.

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